

CHAPTER 9

CASH REQUESTS

I. **INTRODUCTION.**

This chapter explains how to obtain your grant funds.

II. **GRANTEE RESPONSIBILITIES**

You must fulfill any applicable special conditions of your contract prior to incurring activity costs or drawing down your grant funds (see Chapter 2). You must also account for the use of all of your grant monies (see Chapters 7 and 10). This section covers:

- A. Types of cash requests
 - 1. Advances
 - 2. Reimbursement
 - 3. Lump-sum drawdowns
- B. Predisbursement conditions
- C. Cash request Form
- D. Financial management requirements
 - 1. Advances
 - 2. Excess cash on hand
 - 3. Interest earnings

A. **Types of cash requests**

You may draw down funds by advance and/or by reimbursement or, for housing rehabilitation projects, by lump -sum. Note that once you select a method you will normally use that method throughout the term of your contract. All funds are requested using the Cash Request form (See Section VI of this chapter).

- 1. **Advances.** The initial request for an advance may be for the first two months' cash needs as estimated in your application. In most cases, this will be for general administration costs only. Additional advance of funds may be requested when your **monthly** cash flow analysis indicates a need for additional funds. At the time of a request, cash on hand, including program income devoted to the activity, should not exceed \$5,000 at the end of a month without clear justification (see D.2. below). Remember that program income must be disbursed for the grant activity prior to requesting additional grant funds. Advances may only be requested up

until the 27th month of the contract for 30 -month grants or 90 days before the expiration of a planning grant. Funds requested after these dates must be requested on a reimbursement basis.

2. Reimbursements. You may request grant funds on a reimbursement basis for costs incurred and expended. Such requests should be submitted on an as -needed basis but no more frequently than monthly.
3. Lump-sum drawdowns.

Lump-sum drawdowns are permitted only for the loan pool portion of Housing Rehabilitation activities; general administration and activity delivery portions of the CDBG grant must be requested using either the advance or reimbursement methods described above. See Chapters 10, Reporting, and 16, Housing Rehabilitation, for more information on the lump -sum drawdown reporting and programmatic requirements.

Certain conditions apply to lump -sum drawdown cash requests:

- you may use the standard cash request form, but a lump -sum drawdown report must also accompany the cash request
- funds must be deposited immediately into the lump -sum account
- the entire amount of the lump -sum amount stipulated in the lump -sum drawdown agreement with the financial institution must be drawn down in one cash request -no splitting of funds is allowable
- you must obtain prior Department approval of the lump -sum drawdown agreement with the local financial institution
- the first housing rehabilitation loan has to be approved within 45 days of the lump-sum deposit into the local financial institution
- a substantial amount of the deposit must be expended within 180 days of the deposit
- all other cash requests for general administration and activity delivery during the term of the contract must include a copy of the lump -sum drawdown report (see Chapter 10)

B. Predisbursement conditions

Your CDBG contract will contain conditions which must be met prior to your incurring administrative and/or program activity funds, and prior to drawing down CDBG funds. For example, most grantees may incur general administration costs from

the effective date of the contract but may not incur costs or expend funds for program activities until they fulfill the environmental review requirements and any special conditions of the contract.

Review your contract to determine which special or other conditions must be met prior to incurring program activity costs to be paid with CDBG funds. Once the Department has confirmed in writing that you have met the conditions, you may incur program activity costs.

Remember that no costs incurred prior to the effective date of your CDBG contract may be charged to CDBG unless you have special written permission from the Department. Once the contract is signed by the State, eligible expenditures may be incurred and expended against the grant subject to the contract terms.

C. Cash Request Form

When To Submit: Use a Cash Request form to:

- Request funds by any of the methods listed above. When requesting a lump - sum drawdown, complete and submit a lump -sum drawdown report with your Cash Request;
- When the program's cash -on-hand exceeds \$5,000 at the end of the month.
- Cash requests must be submitted pursuant to D. "Financial Management Requirements" described below.
- The state contract contains specific information in Paragraph 13. "Method of Payment", subparagraph b., about the timing for final cash requests; please refer to your contract for more information.

Instructions:

While on the Internet, this form can be downloaded, viewed, and completed in Microsoft Word.

Provide the requested information on the grant and contact person; CDBG drawdowns and expenditures to date; and the amount of cash requested. Report the program income being used for the grant activity, and the balances on hand in your escrow account. Round all numbers to the nearest dollar and be sure all figures total correctly.

Be sure your request is only for costs incurred during the term of the contract. General administration funds may be requested as soon as the contract is fully executed. Program implementation funds may not be requested until the Department has provided written approval that any special conditions attached to the contract have been cleared. Identify the subtotals of cash requested by activity

using the same categories as in your contract, or by specific project, if an Economic Development grant. Use the comment space to explain any cash on hand or any unusual request.

Note that the State Controller's Office (SCO) will not accept altered requests, so if you must make a correction to your request, line out the error and write in and initial the correction. Do not use white-out or otherwise obliterate the error. If the form does not comply with these requirements, it will be returned to you.

Where to Submit: Submit the signed and certified original request and three copies to:

Department of Housing and Community Development
Division of Community Affairs
Federal Fiscal Unit - CDBG, MS 390 -4
P. O. Box 952054
Sacramento, CA 94252 -2054

If you have questions about completing the request form, contact your CDBG representative.

D. Financial management requirements

1. Advances. Federal Treasury Circular No. 1075 requires that cash advances to you and your subcontractors conform to the same standards of time and amount as apply to cash advances from the federal program agencies to the State. These standards are:

- Cash is drawn down only when actually needed for disbursement. For the State's system, a grantee's request for funds may not exceed projected needs for the next 30 days.
- Timely reporting of cash disbursements and balances.

Failure to adhere to all reporting and drawdown requirements will result in termination of your use of a cash advance system, and the Department will make subsequent payments on a reimbursement basis.

2. Excess cash on hand. Federal regulation 24 CRF 570.489(c)(1) requires local grantees to "use procedures to minimize the time elapsing between the transfer of funds by the State (to the grantee) and disbursement for CDBG activities." When cash on hand exceeds \$5,000, and the excess cannot be justified (that is, it will not be expended within a reasonable time period), you must return the excess to the Department. Make a check payable to the Department of Housing and Community Development for the amount in excess of \$5,000, and mail it to:

Department of Housing and Community Development
Administration & Management Division
Accounting Office Branch, Cashier
P. O. Box 952050
Sacramento, CA 94252 -2050

Include a cover letter with the contract number and an explanation why the funds are being returned. Send a copy of the check and cover letter to the CDBG fiscal staff at:

Department of Housing and Community Development
Division of Community Affairs
Federal Fiscal Unit - CDBG, MS -390-4
P.O. Box 952054
Sacramento, CA 94252 -2054

3. Interest earnings.. The interest and investment revenue earned on advances must be returned to the Department, at least quarterly. All interest earnings on lump-sum deposits must be returned to the Department. The first \$100 of interest earned on CDBG grant funds may be used for administrative costs. This \$100 exclusion does not apply to interest earned on lump -sum deposits. When returning interest earnings to the Department, follow the same procedures as in D.2. above.

III. COMMON PROBLEMS

- Incurring costs or requesting funds for project activities prior to the clearance of grant conditions.
- Interest income and/or investment revenue not returned to the State.
- Request for advance exceeds amount required for immediate (30 -day) needs.
- Reporting of program income that will not be used for current grant activities.
- Request date on Cash Request is after the expiration date.
- Expenditures were incurred after the expiration date of the grant.

IV. DEPARTMENT'S ROLE

CDBG fiscal and program staff review each Cash Request, and will return it to you if corrections are needed. Staff will compare the request to recent reports to assess the actual expenditures and need for cash.

V. REFERENCES.

- 24.CFR.570.489(c)(1). establishes rules for advances and interest earnings thereon.
- 24.CFR.570.513. establishes lump -sum drawdown requirements.
- 24.CFR.560.511. describes the escrow account.
- Treasury Circular 1075. sets the policy for sound cash management practices.

VI. SUPPORTING MATERIALS

- Cash Request (Form)

**Community Development Block Grant Program
CASH REQUEST**

NOTE: While on the Internet, this form can be downloaded, viewed, and completed in Microsoft Word.

Grantee: _____ Address: _____ Address: _____ Phone No. _____	Contact Person: _____ Title: _____ Phone No. _____ Organization: _____	Grant #: _____ Am. # _____ Report Period: _____ To: _____ Expiration Date: _____ Request #: _____
ADVANCE <input type="checkbox"/>	LUMP SUM <input type="checkbox"/>	REIMBURSEMENT <input type="checkbox"/>
A. CASH REQUEST		
1. Total CDBG cash received as of request date		_____
2. Program Income received and available for this grant activity as of request date		_____
3. CDBG cash disbursed as of request date		_____
4. Program Income disbursed for this grant activity as of request date		_____
5. CDBG cash on hand as of request date (1+2 -3-4)(if>\$5,000 explain in Comment section)		_____
6. Total CDBG funds previously requested (not including line 7)		_____
7. Amount of this CDBG Cash Request		_____
8. Cash Request by contract activity (must equal amount on line 7)		
1. _____	3. _____	_____
2. _____	4. _____	_____
9. If Escrow Account - Current Balance _____		
Will balance be expended within 22 working days of deposit? <input type="checkbox"/> Yes <input type="checkbox"/> No		
10. Comments:		
B. CERTIFICATION		
I certify that to the best of my knowledge this report is true in all respects and that all disbursements have been made for the purpose and conditions of this grant.		
Name	Title	Signature
Date		
STATE USE ONLY		
15-day environmental review comment period applicable		Yes ___ No ___
CDBG Fiscal Representative _____		Date: _____
CDBG Program Representative _____		Date: _____
CDBG Manager _____		Date: _____
Index _____	PCA _____	Amount _____
Index _____	PCA _____	Amount _____
		Grant Balance _____

Revised August 27, 1998

CDBGGMM.9/98